

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7554

Investigation into Cooperative Electric Utilities')
Accounting Treatment for Member Contributions in Aid)
of Construction for Line Extensions)

Order entered: 9/17/2009

ORDER OPENING INVESTIGATION AND NOTICE OF PREHEARING CONFERENCE

I. INTRODUCTION

On May 4, 2009, Vermont Electric Cooperative, Inc. ("VEC") and the Vermont Department of Public Service ("DPS") filed a settlement agreement in Docket 7488, an investigation into a rate increase request by VEC. In this settlement, VEC and the DPS agreed to a mechanism for changing the way that VEC accounts for the capital contributions from VEC customers for the construction of line extensions. Since 1973 VEC has recorded its member line extension contributions as patronage equity; the settlement provided that VEC would change this policy and apply future line extension contribution amounts as contributions in aid of construction, crediting the work order plant accounts for the project the contributions were intended to offset. Under the terms of the settlement, VEC would also gradually reclassify line extension patronage equity that is already accumulated on VEC's balance sheet. The settlement specifically provided that the Public Service Board ("Board") could consider this provision separately from the remainder of the settlement agreement, if the Board determined that it needed additional information about this issue.

On June 10, 2009, Washington Electric Cooperative, Inc. ("WEC"), who was not a party to Docket 7488, filed a letter with the Board expressing concern about the proposed change in accounting policy.

In our July 31, 2009, Order approving the settlement in Docket 7488, we stated that we were not approving the proposed new accounting treatment for the capital contributions from VEC customers for the construction of line extensions. Instead, we declared that, consistent with the terms of the settlement, we would open a separate investigation into these accounting issues in order to review more thoroughly the policy implications of the proposed accounting change,

and to afford WEC an opportunity to present its arguments in favor of preserving the existing accounting practice.

With this Order, we hereby open an investigation into the accounting treatment for cooperative utilities' members' capital contributions for the construction of line extensions.

II. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Pursuant to Title 30 of the Vermont Statutes Annotated and the Rules of the Public Service Board, and in particular pursuant to Section 221 of Title 30, an investigation is hereby instituted into Vermont cooperative electric utilities' accounting treatment of their members' capital contributions for the construction of line extensions.

2. Pursuant to 30 V.S.A. § 8, Ann Bishop, Chief Economist, is appointed to serve as the Hearing Officer in this docket.

3. A prehearing conference will be conducted by the Hearing Officer, pursuant to 30 V.S.A. § 10(c), on Thursday, October 1, 2009, commencing at 1:30 P.M., at the Public Service Board Hearing Room, Third Floor, Chittenden Bank Building, 112 State Street, Montpelier, Vermont. At the prehearing conference, parties shall be prepared to address a schedule for this proceeding.

Dated at Montpelier, Vermont, this 17th day of September, 2009.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: September 17, 2009

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)